

## ***Appendix G***

### ***The 2018 – 2019 Rolka Loube Report***



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## Table of Contents

Introduction.....	3
I. About RolkaLoube.....	3
II. Interstate TRS Fund .....	4
A. URD Background .....	4
B. URD Facts .....	5
III. IPERIA Compliance (2017-2018 Audit) .....	5
IV. Internal Risk Assessment (2017-2018 Audit).....	5
V. Financial Statements (2017-2018 Audit) .....	6
VI. TRS Provider Audits (2017-2018).....	7
VII. TRS VRS URD Provider Audits .....	7
A. Audit Objectives .....	7
VIII. Do Not Pay.....	8
IX. TRS Fund Financial Facts.....	8
X. National Deaf Blind Equipment Distribution Program .....	10
XI. Other RL Upgrades and Updates during 2018-2019 .....	11
XII. TRS Fund Advisory Council .....	13

## **Introduction**

RolkaLoubé (RL) provides an Annual Report to the Federal Communications Commission (FCC) documenting information about the programs it administers on behalf of the FCC's Telecommunications Relay Service (TRS) programs. We include, for the second year, an annual RolkaLoubé Report as well. We hope you enjoy learning about our growing company and how seriously we take our stewardship of the programs we administer and the work we do.

### **I. About RolkaLoubé**

RL serves as a neutral third-party administrator of trust funds established at the direction of utility regulators such as the FCC. Specifically, in its capacity as the Interstate TRS Fund Administrator, RL has developed customized database applications, which are capable of in-depth data analysis. These advanced technologies ensure that millions of monthly individual call detail records are vetted to determine whether the information submitted meets the legal criteria for compensation. Despite the complexity of the systems and procedures we employ, we strive to ensure our clients and program participants are well informed with understandable explanations and a “no surprises” approach to communication.

RL's consulting group also offers a wide variety of public utility regulation services primarily focused on matters related to telecommunications accounting, pricing, and neutral administration of subsidy programs, as well as monitoring and advising the FCC regarding the administration of federal Universal Service Funds (USF). RL provides expertise in regulatory accounting and record keeping requirements to execute collections and distributions for federal and state telecommunications universal service programs, as well as, providing robust, tailored billing and collections services and financial management solutions.

The consulting group additionally provides expert testimony and services in the areas of utility ratemaking but generally limits those services to public advocates or regulatory agencies. The consulting group also regularly supports the work of the Federal-State Joint Board on Universal Service. While the consulting group may provide advice to telecommunications companies, it does not represent service companies in proceedings before regulatory agencies. To avoid any conflict of interest, RL also does not provide advice to companies seeking eligibility in a program for which RL has been selected as administrator.

RL's data analytics capabilities allow for the mining of large reservoirs of data to analyze potential patterns, anomalies, or activities to uncover fraudulent activities or, in the case of business intelligence, to enhance opportunities for efficiency.

Because these services often involve the use of personally identifiable information (PII), along with sensitive financial information, RL tightly secures its infrastructure and physical

environment. Protection of data and information is vital in meeting our clients' business needs securely and completely.

RL takes pride in its capable and accurate administration of the TRS Fund. Our work is also audited by internal and independent external auditors annually. Maintaining the integrity of our work is paramount to us and essential to properly serve our clients and to provide them with the highest quality work at a reasonable cost.

RL's staff is composed of highly skilled and specialized professionals experienced in public utility and administrative matters. We collectively incorporate over 150 years of senior regulatory and administrative government experience into our work. In addition, RL's two principals, David Rolka and Bob Loube, also have decades of high profile regulatory and administrative experience in the field of public utility regulation. This experience and ability accounts for the wide diversity of current and former clients we serve.

## **II. Interstate TRS Fund**

The TRS Fund is considered part of the FCC financial statements for audit purposes; therefore, as the FCC undergoes an audit, RL is also audited. The primary focus of FCC audits, which involve RL activities, are the annual financial audit of the FCC, described more fully below, which includes testing its information procedures, security, and its IPERIA audit. These audits are in addition to the others described below. Annually RL submits an audit plan for approval to the FCC addressing both internal and external audits.

### **A. URD Background**

In response to the FCC's June 10, 2013 Video Relay Service (VRS) Reform Order FCC-13-82, RL was engaged to create the internet TRS User Registration Database (URD), on April 7, 2015. The URD ensures the registration and identity verification of persons residing within the United States and its territories with hearing or speech disabilities qualifying them to receive federally funded Video Relay Service (VRS). The purpose of this Order was to eliminate waste, fraud and abuse and to improve the FCC's ability to efficiently manage the TRS program through the URD.

According to the Order, Providers (companies that provide these services) are required to register the users and devices and RL verifies the identity and residency of those users. To date, the URD applies only to users, but a current Notice of Proposed Rulemaking by the Commission includes an effort to also register enterprise and publicly accessible devices.

## **B. URD Facts**

- RL has been registering VRS users in the URD since January 2, 2018.
- As of 4/22/2019, RL successfully processed and registered:  
365,272 unique TDNs associated with 121,762 unique “head of household” identities and a 96.86% acceptance ratio
- Out of 365,272 TDNs submitted:
  - 0.79 % failed due to Filing Instruction Failures
  - 3.35% failed due to Identity Failures
  - 434 denied registrations were appealed
  - 254 of the appeals were granted resulting in registration
  - 180 of the appeals have been denied by RL
  - 88 have been appealed to the FCC
  - 21 resulted in FCC approval permitting a resubmission to RL for processing reconsideration

## **III. IPERIA Compliance (2017-2018 Audit)**

Under the requirements of the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), RL maintained a zero-error rate since becoming the Administrator of the interstate TRS Fund in 2011 until 2017. Testing conducted by the independent third-party auditing firm of McKonly & Asbury, during the 2017-2018 audit year, identified improper payments of \$337,163 during the last compliancy period due to a delay in updating rate factors, despite the fact the payments were corrected upon discovery without delay. This did not result in a finding. The testing identified only one improper payment of \$50,000 which resulted from a keying error by the financial institution managing the TRS Fund. This error has been rectified. The error rate determined by the auditors was the absolute value of all erroneous payments during the program year July 1, 2017 – June 30, 2018 and the calculated error rate for the testing period encompassing the program year was 0.0262%. No unexplained exceptions were noted by the auditor. The TRS Fund does not yet have a baseline error rate.

## **IV. Internal Risk Assessment (2017-2018 Audit)**

The annual independent, external Internal Risk Assessment Evaluation (2017-2018) of RL, performed by the third-party auditing firm of McKonly & Asbury, is to determine the effectiveness of the risk, fraud and information security program and practices used by RL. The FY 2017 Inspector General FISMA Reporting Metrics were used and completed by McKonly and Asbury. Their audit showed that, as of September 30, 2018, there were no significant deficiencies noted in the RL system of internal controls in place over the administration of the TRS Fund. There were no deficiencies in the system of internal controls that would not allow management or employees, in the normal course of

performing their assigned duties, to prevent or detect misstatements in a timely manner. In addition, there were no reportable conditions or material weaknesses in the system of internal controls over financial reporting and improper payments.

As of September 30, 2018, the maturity level of the FISMA security requirements, based upon a design effectiveness review, were rated at the levels noted in the chart below with an overall maturity level of “Managed and Measurable” as reported to the FCC IT group in October 2018. RL continues to develop plans and implement improvements to meet the recommended maturity levels for each of the functional areas. Subsequent annual audits will be performed by the independent auditor to confirm adequate implementation.

**Table 1: Maturity Level of the FISMA Security Requirements**

<b>Function</b>	<b>Maturity Level</b>
1. Identify (Risk Assessment & Contractor Systems)	Consistently Implemented
2. Protect (Configuration Management)	Consistently Implemented
2. Protect (Identification & Authentication)	Consistently Implemented
2. Protect (Security Training)	Consistently Implemented
3. Detect (Information Security Continuous Monitoring)	Defined
4. Respond (Incident Response)	Adhoc
5. Recover (Contingency Planning)	Defined
<b>Overall</b>	Consistently Implemented

**Table 2: Maturity Level of the FISMA Security Requirements**

<b>Function</b>	<b>Maturity Level</b>
1.1 Identify (Risk Assessment & Contractor Systems)	Managed and Measureable
2.1 Protect (Configuration Management)	Optimized
2.2 Protect (Identification & Authentication)	Managed and Measureable
2.3 Protect (Data Protection and Privacy)	Managed and Measureable
2.4 Protect (Security Training)	Managed and Measureable
3. Detect (Information Security Continuous Monitoring)	Managed and Measureable
4. Respond (Incident Response)	Defined
5. Recover (Contingency Planning)	Defined
<b>Overall</b>	Managed and Measureable

## **V. Financial Statements (2017-2018 Audit)**

Annual independent financial audits are performed by a third-party, Maher Duessel, in review of RL’s financial management of the TRS Fund. No findings were made in this year’s audit.

## VI. TRS Provider Audits (2017-2018)

Annually, RL submits an audit plan regarding audits of service providers for FCC approval. The following section outlines the provider audit plan was approved by the FCC and the outlined audits were performed by RL staff during the last program year. Each audit plan was approved by the FCC and also included follow up on any previous audit findings to verify remediation.

## VII. TRS VRS URD Provider Audits

This is a performance audit of the providers, and their handling of the TRS VRS URD. The audit scope included a six-month assessment (Jan-June 2018) of user registrations submitted to the URD Administrator.

The following table lists all current VRS service providers which were subject to this audit scope.

**Table 3: VRS Service Providers**

TRS Providers
ASL Services Holdings LLC ("ASL") (GraciasVRS)
Convo Communications LLC ("Convo")
CSDVRS
Purple Communications
Sorenson

### A. Audit Objectives

In order to assess compliance with the URD requirements, the following audit objectives were included in the audit.

1. Review of implementation procedures and processes created by the providers to ensure compliance with URD requirements and the TRS Administrator's URD filing instructions.
2. Compile test sampling of documents acquired and retained from users based on risk code analysis level methodology.
3. Compile test sampling of signed Letter of Agency (LOA) documentation retention for port registrations submitted and successfully processed into the URD.
4. Compile test sampling of signed self-certification statements submitted by the providers on a per registration request basis.
5. Verify the supporting documentation collected by the providers for user registration submissions to ensure risk code remediation is complete and meets the URD requirements and filing instructions.



6. Verify secure, systematic retention of user identity supplemental documentation aligning with the identifiers submitted and systematically processed by RL.
7. In the event of a finding determination resulting in a concern over the validity of a provider's registration population, up to 100% complete registration submission testing per provider could occur.

Draft Audit Reports were submitted to the FCC for review and approval this month. Upon approval, reports will be finalized with the Providers to confirm Corrective Action Plans (CAPS) to remediate audit findings.

## **VIII. Do Not Pay**

The Interstate TRS Fund began implementing the Do Not Pay check for all distributions effective 2/1/2018. The Do Not Pay portal is an additional secondary background check, which is run against all companies or individuals seeking to receive funds from the TRS Program, to ensure compliance with IPERIA. If money is owed to the federal government by a company or an individual, then under certain circumstances, they are not eligible to receive compensation for TRS services and are flagged as Do Not Pay accounts.

## **IX. TRS Fund Financial Facts**

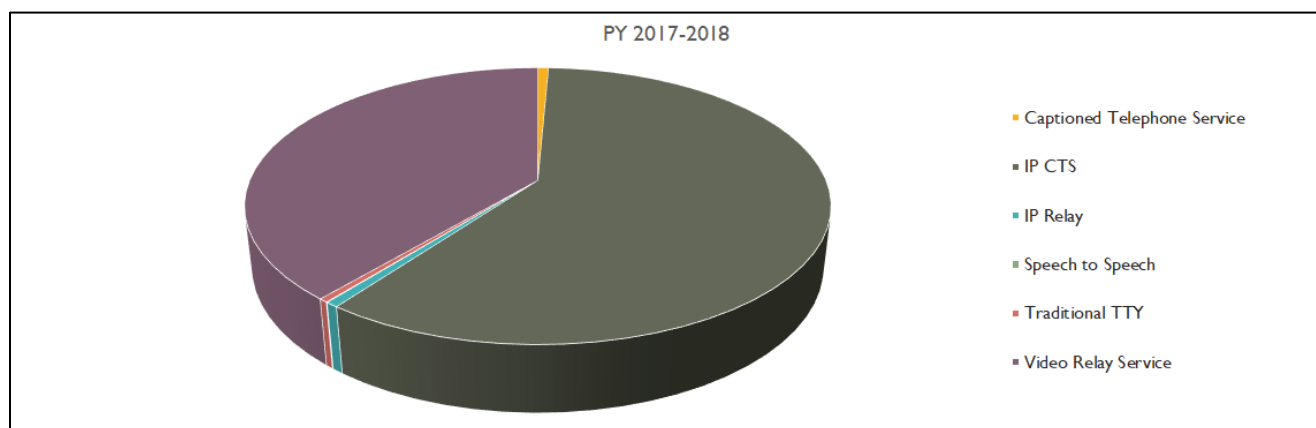
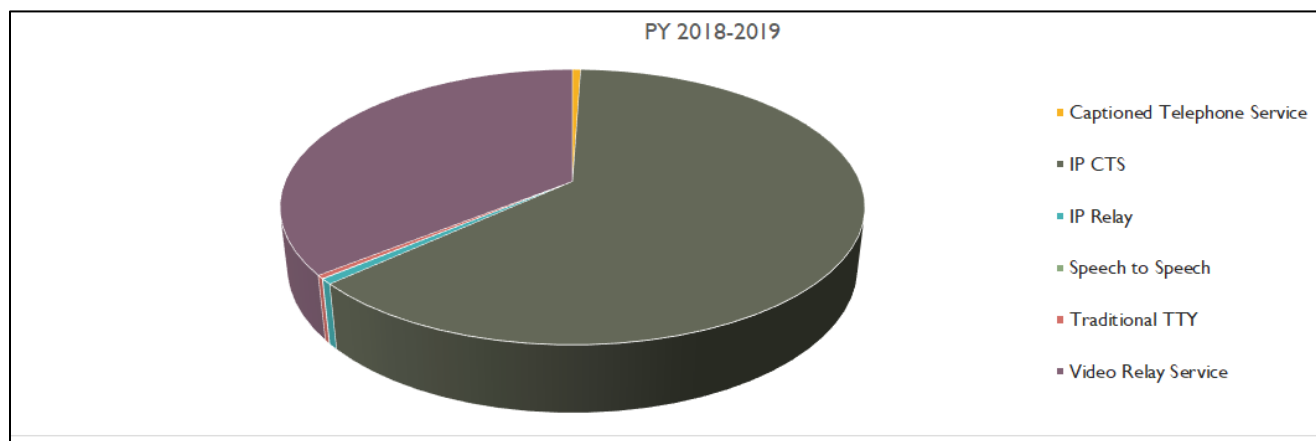
During the first nine months of the current Interstate TRS Fund Program Year, ended June 30, 2019 the Fund:

- Collected roughly \$1.106 billion from Contributors
- Distributed roughly \$1.014 billion to Providers in payment for services.
  - Of that amount, the breakdown per service was:
    - \$4.3 million for TRS Services and STS Services
    - \$5.5 million for Captioned Telephone Services (CTS)
    - \$636 million for Internet Protocol Captioned Telephone Services (IP CTS)
    - \$6.2 million for Internet Protocol (IP) Services
    - \$362 million for Video Relay Services (VRS)
- Distributed roughly \$7.3 million to the National Deaf-Blind Equipment Distribution Program (NDBEDP)

The Interstate TRS Fund timely reported all monthly and quarterly financial reports to the individuals responsible and earned roughly \$2.6 million in interest on invested Treasury Bills.

**Table 4: Collections and Delinquency Data**

Program Year	# of Contributors	Total Revenue Billed	Total Sent to Treasury for Collection	Percentage of Billings Sent to Treasury for Collection	
2017-2018	4,618	1,322,834,647	4,605,815	0.35%	Full Year
2018-2019	4,690	1,495,245,449	2,793,030	0.19%	As of 03/31/2019 (Only nine months of data)



## **X. National Deaf Blind Equipment Distribution Program**

The FCC's Consumer and Governmental Affairs Bureau (CGB) implemented the National Deaf Blind Equipment Distribution Program (NDBEDP) as a Pilot program in July 2012. At that time RL was authorized to provide support for the administration of the program. On August 5, 2016, the Commission released a further Report and Order, FCC 16-101, making changes to the program structure changing the designation from a pilot program to a permanent program.

The following changes were implemented once the NDBEDP became a permanent program by the FCC. The changes, listed below, were implemented by RL to ensure the accurate reporting and distribution of equipment.

- Establish a tracking mechanism for training limited to 2.5% of the budgeted allocation per state, to include potential annotations regarding waivers of the cap. (Paragraph 118 of FCC 16-101)
- Establish a tracking mechanism for outreach limited to 10% of the budgeted allocation per state, to include potential annotations regarding waivers of the cap. (Paragraph 145 of FCC 16-101)
- Establish a tracking mechanism for preapproval of consumer travel expenditures by CGB, the NDBEDP Administrator. (Paragraph 116 of FCC 16-101)
- Establish a mechanism for tracking and recording the history of allocation adjustments among states. (Paragraph 153 of FCC 16-101)
- Establish a mechanism to cap administrative reimbursements at 15% of the state allocation and report excess claims to the Administrator. (Paragraph 165 of FCC 16-101)
- Update/modify the request for reimbursement filing instructions consistent with permanent program rule changes. (Paragraph 161 of FCC 16-101)

RL also upgraded its Legacy systems to allow use of automated functions in SQL for improved processing of NDBEDP applications. This allowed automated upload for easier FCC access utilizing BOX.

## **XI. Other RL Upgrades and Updates during 2018-2019**

RL created a new Accounts Receivable (AR) system and developed an outward facing Payment Portal. This new system went live in July of 2018 and is a great improvement over our legacy AR system because it allows customers to access their accounts through a website which permits them to view their account information, print invoices, and make payments via an automated clearing house (ACH). Additional upgrades should be completed by July 1, 2019 which will allow users to make obligation determination calculations, provide scheduling, notifications, customer account maintenance, red light reporting, and treasury account maintenance.

In addition, RL is working collaboratively with the FCC and the U.S. Treasury to transfer the TRS Funds from M&T Bank (Wilmington Trust), a private banking and Trust institution which has been servicing it, to the U.S. Treasury. Some of our systems will have to be adapted to accommodate this transfer and provide for billing and collections services operated through the Pay.gov portal of the U.S. Treasury. The transfer of these banking functions is to be completed by November 1, 2019.

RL became a GSA approved federal contractor in 2019 and is now authorized to enter into certain approved federal contracts at pre-approved rates.

The FCC recently ordered that RL develop an IP CTS registration database for users.<sup>1</sup> RL has just begun to discuss plans for this new project and expects to use the same type of collaborative process it used when designing and building the VRS URD.

RL revised its Employee Handbook, developed business norms of behaviors and manager and employee expectations, and conducted employee evaluations this past year. We negotiated new and better health care coverage for our staff at a reduced rate which allowed us to provide both long and short-term disability coverage for our employees and to provide life insurance coverage.

RL conducted an intensive review of all of its insurance policies and coverages and adjusted them as needed. In addition, RL developed new non-disclosure agreements and a data security addendum for contracts entered into with subcontractors.

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<sup>1</sup> FCC 19-11 CG Docket Nos. 13-24 and 03-123

To better serve our clients, RL has invested significantly in business resilience efforts and we are actively engaged in Contingency and Continuity Planning. A large part of our focus this year has been ensuring that we have redundant capabilities, for those possessing key skill sets in our business. To protect our data and computer systems in the event of an Act of God or other disaster, our IT staff was expanded by four and our infrastructure hardware has been physically moved to Arizona, into a separate electric grid from that of our Pennsylvania demand response systems. This has greatly improved our bandwidth, provides for daily backups for all RL data, and our systems have become much more

reliable with improved speed of access. This move also satisfies our off-site backup storage requirements under our contract. In addition, we have moved our data to the Cloud and created redundancies for easy restoration of our documentation. Additionally, our staff is being trained twice a year in both cybersecurity and privacy matters.

RL has invested significantly in improving our IT posture and capabilities generally but has focused on making all business systems secure and FISMA compliant to ensure appropriate cybersecurity and the safeguarding of data entrusted to us.

During the past year, we became partners with the Harrisburg University (HU) Government Technology Institute which is a valuable alliance providing educational opportunities for our staff to stay up-to-date and abreast of all new trends in technology and cyber security. We have hired successful interns from HU, as well, two of whom will become full time employees in May, upon their graduation. One is a programmer and the other a cyber security hire.

Continuing education has been a focus of RL this past year. Three employees are involved in a seven-month data analytics course at Harrisburg University; one is pursuing a human resources certification at Penn State University; our CISO is pursuing a CISA certification to assist in conducting audits; one passed her certified fraud examiner exam; two have taken project management courses in Agile methodology; one will soon pursue a PMP course in project management and our CPAs, Lawyers, business analysts, IT personnel keep up-to-date with training opportunities and required continuing education.

Our staff size has increased to take on the new tasks that have come our way which has necessitated that we move into a larger office space to accommodate our growing needs. We are hopeful that we can move into the new space, at a different location, early in the fall of 2019.

## **XII. TRS Fund Advisory Council**

As the Administrator of the TRS Fund, RL conducts two meetings of the TRS Fund Advisory Council (Council) each year. The Council requirements are set forth in 47 C.F.R. § 64.605. Pursuant to the regulation, the Administrator is to establish a non-paid advisory committee composed of persons from the hearing and speech disability community, TRS users (voice and text telephone), interstate service providers, state representatives, and TRS providers, which will meet at reasonable intervals (at least semi-annually) to monitor TRS cost recovery matters. This past year the Council added an additional member, Bryen Yunashko, to represent the interests of the Deaf-Blind Community. The Council is currently composed of 14 representatives from the designated groups above. In addition to its role of monitoring provider cost recovery, the Council provides RL with valuable insight into the concerns and requirements of the communities of the represented membership and provides the member representatives with regular access to the Fund Administrator. In addition to the in-person semi-annual meetings of the Council, RL has initiated participation in scheduled monthly conference calls with the Council members, regarding the status of the Fund and related issues of concern or interest. These calls are in addition to scheduled monthly conference calls with the service providers to address Fund updates and to discuss current topics of interest.

At its most recent meeting in Washington, D.C., on April 8-9, 2019, Ron Bibler, representing TRS users and serving as Chairman of the Advisory Council – along with Zainab Alkebsi, Esq. also representing TRS users and serving as Vice-Chair, sought a replacement for Brenda Kelly-Frey, who represented the state relay administrators but announced her retirement and resignation of her position as Second Vice Chair. Shannon Smith, representing the Deaf and Hard of Hearing Community – who was serving as Secretary stepped up and was elected to fill Brenda Kelly-Frey’s vacancy, as Second Vice Chair. Linda Vanderloop, who represents the Fund contributor companies, graciously agreed to serve and was elected as Secretary of the Council to fill the remainder of Shannon Smith’s term.

RL extends its appreciation to the officers and members of the Council for their service to the Administrator and for their ongoing leadership and sound advice regarding the TRS program and the needs and concerns of all stakeholders. A special and heartfelt thank you to Brenda Kelly-Frey for her many years of dedicated service to the deaf and hard of hearing. You will be missed.